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Two Additional Guilty Pleas in Nationwide "Bust-out" Scheme

(Newport News, VA) - Two additional guilty pleas in the case against James Robert Nance, (also known as Thomas James Alvin and T.J. Alvin), Steven A. Nadroski, (also known as Trent Wilson), Donald Nadroski, (also known as Don Black and as Yaakov Cohen), and Marisa Ponder (also known as Marisa Wolfcale, Jade Hoffman, and Marisa Browning) were entered in United States District Court. All four of the defendants were previously named in a six-count indictment alleging: Conspiracy to Violate the Racketeer Influenced and Corrupt Organizations Act (RICO); Conspiracy to Commit Bank and Wire Fraud; Bank Fraud; Wire Fraud; and, Possessing and Uttering a Counterfeit Security, all in violation of federal law. Chuck Rosenberg, United States Attorney for the Eastern District of Virginia, made the announcement after Nance pled guilty today.

Steven and Donald Nadroski, who are brothers, have previously pled guilty to conspiring to violate RICO. Yesterday, Ponder appeared before United States District Judge Raymond A. Jackson and entered a plea of guilty. Today, Nance entered his plea. Both Nance and Ponder pled guilty to the RICO conspiracy charge. In addition, Nance, who was identified as the leader of this criminal enterprise, entered a plea of guilty to conspiring to commit wire fraud in violation of federal law. For the RICO conspiracy convictions, both defendants are facing up to 20 years in prison, \$250,000 in fines, and will be ordered to pay full restitution. Nance's guilty plea to the wire fraud conspiracy charge exposes him to an additional 20 years in prison. As part of their guilty pleas, Nance and Ponder agreed to pay full restitution to their victims. Ponder, who was involved in a portion of the scheme, agreed to restitution in the amount of \$2,618,233. Nance, who was involved in the scheme from start to finish, agreed to restitution in the amount of \$5,879,067.

According to court documents, this case was referred to the FBI for investigation after the defendants victimized Hallwood Enterprises, Inc. (Hallwood) located in Smithfield, Virginia.

During the Spring of 2004, the owner was attempting to sell Hallwood and listed the company for sale through a business brokerage firm called Sun Belt business brokers in Richmond, Virginia. The defendants, using alias names, contacted Hallwood and expressed an interest in buying that company. The owner checked the purchasers' credentials, which involved his review of fraudulent financial statements for the defendant's front company and contacts with fake references. The owner of Hallwood sold his company to the defendants on June 23, 2004. At closing, Nance, who was using the alias T.J. Alvin, agreed to purchase Hallwood Enterprises for \$1.7 million, with an initial down payment of \$32,050 and the rest to be paid in installments over the next few months. The owner later discovered the \$32,050 check the co-conspirators used to make the first payment was worthless.

After purchasing the business, the defendants seized control of the company, keeping the owner and his son on the payroll as consultants. Over the next several days, the defendants stopped paying Hallwood's creditors and started gathering all the assets of the company for transfer into a new operating account opened by the co-conspirators at SouthTrust Bank. The owner protested and began to realize that something was wrong. While the owner explored his legal options, the co-conspirators wired \$125,000 from Hallwood's operating account to other accounts in Panama and Miami, Florida. Soon after, the defendants and their cohorts disappeared.

The investigation expanded beyond Hallwood Enterprises and revealed that the defendants had been involved in an ongoing "bust-out" scheme targeting corporations located across the United States since 2000. In general, a "bust-out" scheme involves a criminal's targeting of a particular business that is offered for legitimate sale in the market. Once the offenders identify a victim business, they act as an interested buyer in the business, boasting that they are legitimate and have sufficient assets to purchase the company. Prior to or at closing, the offender offers to pay only a portion of the sales price up front, with all or a significant portion of the amount to be paid several days after the transaction is complete. Once the ownership of the victim business is transferred, the offender liquidates and steals all available assets of the company. After stealing as much money and other assets as possible, the offender and his or her cohorts flee the business, leaving it in financial disarray.

Aside from Hallwood Enterprises, the FBI identified other victims in Florida, Texas, Colorado, and other states. These additional victims are included in the RICO conspiracy charge added by the Grand Jury in June 2006. According to the indictment, the defendants were engaged in an ongoing criminal enterprise whose members and associates engaged in acts of mail fraud, wire fraud, bank fraud, money laundering, engaging in unlawful monetary transactions, transportation of stolen goods, and, receipt of stolen goods, and which operated at and from various points within and outside the United States. The superseding indictment charged the defendants for their roles in "busting-out" Republic Foods, Inc. (Dallas, Texas) in 2000; Ski Distributing, d/b/a Tergerson's Fine Foods (Midland, Texas) in 2001; Notebook Warehouse, Inc. (Miami, Florida) in 2003; Microchip Computers, Inc. (Austin, Texas) in 2003; Pine Bay Seafood, LLC (Matlacha, Florida) in 2004; Hallwood Enterprises, Inc. (Smithfield, Virginia) in 2004; and Goleish, Inc., d/b/a Goleish Door and Trim (Denver, Colorado) in 2005.

The investigation was conducted by the Peninsula Resident Agency of the Norfolk Division of the Federal Bureau of Investigation. The case originated with the Smithfield Police Department who referred the fraud against Hallwood Enterprises to the FBI for investigation. Assistant United States Attorney Michael Gill prosecuted the case for the United States.

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